

SENATE MOTION

MADAM PRESIDENT:

I move that Engrossed House Bill 1001 be amended to read as follows:

- 1 Page 1 delete lines 1 through 12.
- 2 Page 15, reset in roman lines 15 through 35.
- 3 Page 15, delete lines 36 through 40.
- 4 Page 15, line 41, reset in roman "(D)".
- 5 Page 15, line 41, delete "(B) that part of".
- 6 Page 15, line 41, reset in roman "total amount of".
- 7 Page 16, line 2, reset in roman "after December 31, 1983;".
- 8 Page 16, line 2, delete "before January".
- 9 Page 16, delete line 3.
- 10 Page 16, line 4, reset in roman "not".
- 11 Page 16, line 5, reset in roman "and".
- 12 Page 16, line 5, delete "or".
- 13 Page 16, line 6, reset in roman "does not constitute".
- 14 Page 16, line 6, delete "constitutes".
- 15 Page 16, line 9, reset in roman "minus".
- 16 Page 16, line 9, delete "and".
- 17 Page 16, reset in roman lines 10 through 16.
- 18 Page 16, line 17, reset in roman "(i)".
- 19 Page 16, line 17, delete "(C) that part of".
- 20 Page 16, line 18, reset in roman "the stated assessment year".
- 21 Page 16, line 18, delete "a cumulative building".
- 22 Page 16, line 19, delete "fund established or reestablished".
- 23 Page 16, line 20, delete "under".
- 24 Page 16, line 21, reset in roman "for a cumulative building fund
- 25 whose".
- 26 Page 16, reset in roman lines 22 through 23.

- 1 Page 16, line 24, reset in roman "1983 stated assessment year;
- 2 minus".
- 3 Page 16, line 24, delete "(before its repeal)".
- 4 Page 16, line 25, reset in roman "(ii)".
- 5 Page 16, line 25, delete "to".
- 6 Page 16, line 25, reset in roman "total".
- 7 Page 16, line 25, delete "extent of the amount of".
- 8 Page 16, line 26, delete "for the fund".
- 9 Page 16, line 26, reset in roman "stated".
- 10 Page 16, line 27, delete ";".
- 11 Page 16, line 27, reset in roman "under the authority of IC 21-2-6
- 12 (repealed)".
- 13 Page 16, reset in roman lines 28 through 35.
- 14 Page 16, line 36, reset in roman "(iii)".
- 15 Page 16, line 36, reset in italic "IC 36-12-12".
- 16 Page 16, line 36, reset in roman "for a library capital projects".
- 17 Page 16, reset in roman line 37.
- 18 Page 16, line 38, reset in roman "(iv)".
- 19 Page 16, line 38, reset in italic "IC 36-10-13-7".
- 20 Page 16, line 38, reset in roman "for an art association".
- 21 Page 16, reset in roman lines 39 through 42.
- 22 Page 17, reset in roman lines 1 through 42.
- 23 Page 18, line 3, delete ". plus" and insert "; plus".
- 24 Page 18, reset in roman lines 4 through 17.
- 25 Page 22, delete lines 34 through 42, begin a new paragraph and
- 26 insert:
- 27 "SECTION 18. IC 6-1.1-21-2.7 IS ADDED TO THE INDIANA
- 28 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
- 29 [EFFECTIVE JANUARY 1, 2007]: **Sec. 2.7. Notwithstanding**
- 30 **IC 6-1.1-20.9 and this chapter, the maximum amount that may be**
- 31 **distributed under sections 4 and 10 of this chapter to a particular**
- 32 **county is equal to the amount distributed to the county under**
- 33 **sections 4 and 10 of this chapter to replace revenue lost from the**
- 34 **granting of homestead credits under IC 6-1.1-20.9 and property**
- 35 **tax replacement credits under section 5 of this chapter against tax**
- 36 **liability imposed for the March 1, 2005, and January 15, 2006,**
- 37 **assessment dates. If in any year, without applying this section, the**
- 38 **amount determined for a county under IC 6-1.1-20.9 and this**
- 39 **chapter exceeds the amount determined under this section, the**
- 40 **property tax replacement fund board shall reduce the credit**
- 41 **percentages under IC 6-1.1-20.9 and this chapter proportionately**
- 42 **so that the distributions equal the amount determined under this**
- 43 **section."**
- 44 Page 23, delete lines 1 through 37.
- 45 Page 62, line 1, delete "(repealed);" and insert ";".
- 46 Page 62, line 1, after "(IC 6-3.5-6)" insert ";".

- 1 Page 62, line 2, delete "(repealed);".
- 2 Page 62, line 2, after "(IC 6-3.5-7)" insert ";".
- 3 Page 62, line 3, before "the municipal" delete "(repealed);".
- 4 Page 65, line 3, delete "COUNTY INCOME TAX" and insert
- 5 **"PROPERTY TAX FREEZE REPLACEMENT REVENUES"**.
- 6 Page 65, between lines 3 and 4, begin a new paragraph and insert:
- 7 **Chapter 1. Application; Purpose**
- 8 **Sec. 1. The purpose of this article is to provide counties with an**
- 9 **option to reduce the amount of the controlled property taxes**
- 10 **imposed in the county and provide taxing units with an alternative**
- 11 **source of tax revenue to replace revenue lost as the result of the**
- 12 **implementation of the following:**
- 13 (1) A controlled property tax freeze under IC 6-11-8.
- 14 (2) A supplemental reduction in controlled property taxes
- 15 under IC 6-11-9.
- 16 **Sec. 2. This article applies to a county and the taxing units in a**
- 17 **county only if an ordinance:**
- 18 (1) freezing controlled property taxes; and
- 19 (2) imposing a county income tax to replace the lost revenue;
- 20 **is adopted under IC 6-11-8.**
- 21 **Sec. 3. A county income tax imposed under this article is in**
- 22 **addition to any tax imposed under the following:**
- 23 (1) IC 6-3.5-1.1 (county adjusted gross income tax).
- 24 (2) IC 6-3.5-6 (county option income tax).
- 25 (3) IC 6-3.5-7 (county economic development tax).
- 26 **Sec. 4. A county freeze limit imposed under this article applies**
- 27 **to all property taxes imposed in the adopting county except**
- 28 **property taxes designated in this chapter as excluded property**
- 29 **taxes.**
- 30 **Sec. 5. A property tax described in IC 6-1.1-17-16.7,**
- 31 **IC 6-1.1-18-12, or IC 6-1.1-41-1 is an excluded property tax.**
- 32 **Sec. 6. A property tax imposed for any of the following is an**
- 33 **excluded property tax:**
- 34 (1) A school bus replacement fund (IC 21-2-11.5).
- 35 (2) A referendum tax levy fund (IC 21-2-11.6).
- 36 (3) A school capital projects fund (IC 21-2-15).
- 37 (4) A special education preschool fund (IC 21-2-17).
- 38 (5) A racial balance fund (IC 6-1.1-19-10 (repealed) or
- 39 IC 21-2-22).
- 40 (6) A cultural institution (IC 20-5-17.5-4 (repealed) or
- 41 IC 36-10-13-8).
- 42 **Sec. 7. A:**
- 43 (1) property tax imposed under IC 6-1.1-21.2-12; or
- 44 (2) special assessment imposed under IC 12-19-1.5-9;
- 45 **for an allocation area is an excluded property tax.**
- 46 **Sec. 8. (a) A property tax imposed for any of the following funds**

is an excluded property tax:

(1) A fund established under IC 21-2-4-2 or IC 36-9-15-10.

(2) A fund primarily established to pay or fund loans or bonds authorized under IC 12-19-5-11, IC 12-19-7-19, or IC 12-19-7.5-18.

(3) A fund established to pay or fund bond indebtedness or lease rentals with a term of at least five (5) years.

(4) Any other debt service, debt payment, sinking, loan, bond, lease rental, fund established by a taxing unit to repay or fund a long term liability, as determined by the department of local government finance."

Page 65, line 4, delete "1." and insert "2."

Page 65, delete lines 7 through 9, begin a new paragraph and insert:

"Sec. 2. "Adopting county" refers to a county in which an ordinance to freeze controlled property taxes has been adopted under IC 6-11-8."

Page 65, line 11, after "IC 6-3-1-3.5." insert **"However, in the case of a taxpayer who is an out-of state resident, the term includes only adjusted gross income derived from the taxpayer's principal place of business or employment."**

Page 65, delete lines 12 through 42, begin a new paragraph and insert:

"Sec. 4. "Allocation area" has the meaning set forth in IC 6-1.1-21.2-3.

Sec. 5. "C corporation" has the meaning set forth in IC 6-1.1-21-2.

Sec. 6. "Controlled property tax" means an ad valorem property tax, other than an excluded property tax, that is imposed by a taxing unit in an adopting county.

Sec. 7. "Controlled total tax levy" means the sum of the controlled property taxes and increment raised in a particular year for a particular fund, purpose, or group of funds or purposes.

Sec. 8. "Corporate tangible property" means tangible property for which a C Corporation is directly or indirectly liable for controlled property taxes.

Sec. 9. "Council" refers to a county council or a county income tax council that has adopted an ordinance under IC 6-11-8.

Sec. 10. "County council" has the meaning set forth in IC 6-3.5-1.1-1.

Sec. 11. "County freeze limit" means the part of the maximum permissible total county property tax levy in a county that does not exceed the amount of controlled property taxes imposed in the county in the freeze limit determination year, as:

(1) determined before the application of any credits against property tax liability permitted by law; and

(2) certified by the department of local government finance.

1 **Sec. 12. "County income tax"** refers to a county income tax
 2 imposed in an adopting county under this article.

3 **Sec. 13. "County income tax council"** has the meaning set for in
 4 IC 6-3.5-6-1.

5 **Sec. 14. "County taxpayer"** refers to:

6 (1) a resident; or

7 (2) an out-of-state resident;

8 on which a county income tax is imposed in an adopting county.

9 **Sec. 15. "Excluded property tax"** refers to a property tax
 10 designated as an excluded property tax under IC 6-11-1.

11 **Sec. 16. "Fiscal officer"** has the meaning set forth in
 12 IC 36-1-2-7.

13 **Sec. 17. "Freeze limit determination year"** refers to the year for
 14 which a county's county freeze limit is calculated.

15 **Sec. 18. "Indirectly liable"** has the meaning set forth in
 16 IC 6-1.1-21-2.

17 **Sec. 19. "Increment"** means the part of the county income tax
 18 imposed for a particular year to fund the greater of zero (0) or the
 19 difference between:

20 (1) the maximum permissible total county property tax levy
 21 in the county; and

22 (2) the county freeze limit in the county.

23 **Sec. 20. "Maximum permissible total county property tax levy"**
 24 the total amount of controlled property taxes that could be
 25 imposed in a year in a county by the taxing units that are located
 26 in any part in the county, if a county freeze limit did not apply to
 27 the county, as determined:

28 (1) after the application of all property tax levy limits and
 29 property tax rate limits that are imposed by a law outside this
 30 article; and

31 (2) before the application of any credits against property tax
 32 liability permitted by law.

33 **Sec. 21. "Noncorporate tangible property"** means tangible
 34 property for which a C Corporation is not directly or indirectly
 35 liable for controlled property taxes.

36 **Sec. 22. "Out-of-state resident"** means an individual:

37 (1) who is not a resident of any county in Indiana on the
 38 residency determination date in the individual's taxable year;
 39 and

40 (2) whose principal place of business or employment is in the
 41 particular county in Indiana on the residency determination
 42 date in the individual's taxable year.

43 **Sec. 23. "Replacement amount"** means the part of the:

44 (1) increment; and

45 (2) supplement;

46 imposed under this article to replace revenue lost to a taxing unit

as a result of the property tax reductions granted under this article.

Sec. 24. "Residency determination date" refers to the date in a taxpayer's taxable year on which the taxpayer's obligation to pay county income taxes imposed in a particular county is determined.

Sec. 25. "Resident" means an individual who is a resident of a particular county on the residency determination date in the individual's taxable year.

Sec. 26. "Supplement" means the part of the county income tax imposed under this article imposed as a credit to reduce the amount of controlled property taxes imposed in the county below the county freeze limit for the county and replace the revenue lost to taxing units as a result of the granting of the credit.

Sec. 27. "Taxing unit" means a political subdivision that:

- (1) is a taxing unit (as defined in IC 6-1.1-1-21); or
- (2) would be a taxing unit (as defined in IC 6-1.1-1-21) if this article did not limit the political subdivision's authority to impose a controlled property tax.

Sec. 28. "Taxing unit's freeze limit" for a particular taxing unit means the part of the controlled tax levies imposed by the tax unit for the freeze limit determination year, as:

- (1) determined before the application of any credits against property tax liability permitted by law; and
- (2) certified by the department of local government finance.

Sec. 29. "Taxpayer" refers to an individual who has a county income tax liability under this article.

Chapter 3. Interpretation of Laws Governing Property Taxes; Maximum Tax Rates Under This Article

Sec. 1. Except for the manner in which:

- (1) taxes are imposed and tax rates are computed under this article; and
 - (2) replacement amounts are distributed to taxing units;
- county income taxes imposed under this article shall be treated as if the county income taxes were property taxes. However, a taxing unit is not eligible for a distribution under IC 6-1.1-21 to reduce or replace taxes imposed under this article.

Sec. 2. The department of local government finance shall allocate a taxing unit's freeze limit among the taxing unit's purposes and funds in proportion to the controlled property taxes imposed for the purposes and funds in the freeze limit determination year.

Sec. 3. Laws limiting or permitting a maximum:

- (1) controlled property tax levy; or
- (2) controlled property tax rate;

in an adopting county for a particular fund or purpose shall be construed as limiting the controlled property taxes that may be

1 imposed for the fund or purpose to the amount of the taxing unit's
2 levy freeze limit that has been allocated to the fund or purpose.

3 Sec. 4. Any excessive levy permitted by law that exceeds the
4 limits otherwise imposed on controlled property taxes shall be
5 payable from the county income tax increment to the extent that
6 the amount of the permitted excessive levy would exceed a taxing
7 unit's freeze limit.

8 Sec. 5. Any law that permits or requires a taxing unit in an
9 adopting county to impose or appropriate money from a controlled
10 property tax for a fund or purpose shall be construed as requiring
11 or permitting a taxing unit to impose or appropriate a combination
12 of controlled property taxes and replacement amounts to meet the
13 requirements of the law.

14 Sec. 6. Any limitations imposed by law that restrict:

15 (1) the amount of a controlled property tax levy that may be
16 imposed; or

17 (2) the rate at which a controlled property tax may be
18 imposed;

19 for a particular fund or purpose shall be construed to limit the
20 sum of the controlled property taxes and county income tax
21 increment that may be imposed for the fund or purpose.

22 Sec. 7. The maximum controlled total levy that may be imposed
23 by or for a taxing unit in a year shall not be construed to be
24 reduced if in the immediately preceding year the taxing unit:

25 (1) did not impose the maximum controlled property tax
26 permitted by law;

27 (2) did not budget the maximum county income tax increment
28 that the taxing unit could have budgeted by law; or

29 (3) saved part of the taxing unit's distribution of controlled
30 property taxes, county income tax supplement, or county
31 income tax increment in a rainy day fund.

32 Sec. 8. The department of local government finance shall
33 prescribe procedures and standards for applying this article to:

34 (1) a calculation permitted or required by law that uses a
35 property tax rate or property tax levy; and

36 (2) any other law that refers to a property tax levy or
37 property tax rate.

38 Chapter 4. Exchange of Information

39 Sec. 1. The department of state revenue, department of
40 education, and budget agency shall assist the department of local
41 government finance in carrying out the department of local
42 government finance's responsibilities under this article.

43 Sec. 2. Forms, notices, ordinances, and resolutions required or
44 permitted under this article must be prepared and used in the form
45 and in the manner prescribed by the department of local
46 government finance and approved by the state board of accounts.

1 **Sec. 3. The department of local government finance shall**
 2 **establish a schedule for the distribution to taxing units of**
 3 **information that the department of local government finance**
 4 **determines will assist in the implementation of this article. The**
 5 **schedule may provide for the distribution of revisions to data and**
 6 **calculations previously distributed to taxing units.**

7 **Sec. 4. The department of local government finance, after**
 8 **reviewing the recommendations of the budget agency, shall**
 9 **establish a schedule to regularly provide revenue forecasts to**
 10 **taxing units.**

11 **Sec. 5. In the notice published under IC 6-1.1-17-3, a taxing unit**
 12 **shall include an estimate of the amount of the county income tax**
 13 **increment and the county income tax supplement that will be**
 14 **expended or saved by the taxing unit in the ensuing year.**

15 **Sec. 6. When a taxing unit submits the taxing unit's budget to**
 16 **the county auditor under IC 6-1.1-17-5 or IC 6-1.1-17-5.6, the**
 17 **taxing unit shall submit with the budget a description of the**
 18 **amount of:**

- 19 (1) **the county income tax increment and the county income**
 20 **tax supplement that taxing unit intends to expend in the**
 21 **ensuing year;**
- 22 (2) **the county income tax increment and the county income**
 23 **tax supplement that taxing unit intends to save in the ensuing**
 24 **year; and**
- 25 (3) **any other information determined necessary by the**
 26 **department of local government finance to set county income**
 27 **tax rates for the county in the ensuing year.**

28 **Sec. 7. In the notice published under IC 6-1.1-17-12, the county**
 29 **auditor shall include the following:**

- 30 (1) **A description of the county income tax increment rate**
 31 **imposed for the current year and an estimate of the amount**
 32 **of the county income tax increment that will be distributed to**
 33 **each taxing unit in the county in the current year.**
- 34 (2) **A description of the county income tax supplement rate**
 35 **imposed for the current year and an estimate of the amount**
 36 **of the county income tax supplement that will be distributed**
 37 **to each taxing unit in the county in the current year.**
- 38 (3) **An estimate of the county income tax increment rate for**
 39 **the ensuing year that must be imposed in the county to fund**
 40 **the total of all budgets adopted by the taxing units in the**
 41 **county, as adjusted by the county board of tax adjustment or**
 42 **the county auditor under IC 6-1.1-17, and an estimate of the**
 43 **amount of the county income tax increment that will be**
 44 **distributed to each taxing unit in the county in the ensuing**
 45 **year.**
- 46 (4) **A description of the county income tax supplement rate**

that will be imposed for the ensuing year and an estimate of the amount of the county income tax supplement that will be distributed to each taxing unit in the county in the ensuing year.

Sec. 8. When the county auditor certifies a taxing unit's tax rates, tax levies, and budgets to the department of local government finance under IC 6-1.1-17, the county auditor shall certify:

(1) the county income tax increment in the ensuing year that is needed to fund each taxing unit's budget (including any rainy day fund deposits);

(2) the amount by which the county income tax increment certified under subdivision (1) exceeds the maximum permissible county income tax increment for the ensuing year, if any;

(3) the estimated county increment income tax rate that must be imposed in the county in the ensuing year to fund the sum of each taxing unit's county income tax increment for the ensuing year;

(4) the county income tax supplement rate established for the county for the ensuing year; and

(5) any other information determined necessary by the department of local government finance to set county income tax rates for the county in the ensuing year.

Sec. 9. The department of state revenue shall conduct a program to provide employers and taxpayers with adequate information for the employer or taxpayer to:

(1) determine the total county income tax rate that applies to a particular adopting county; and

(2) identify the adopting county where a taxpayer has an obligation to pay county income tax.

Sec. 10. In the notice published under IC 6-1.1-22-4, the county treasurer shall give notice of the county's:

(1) county income tax increment rate; and

(2) county income tax supplement rate;

that is in effect in the county for the year."

Delete pages 66 through 70.

Page 71, line 1, delete "4." and insert "5."

Page 71, line 33, delete "5." and insert "6."

Page 72, line 7, delete "6." and insert "7."

Page 72, line 8, after "each" insert "**adopting**".

Page 72, line 29, delete "IC 6-11-7." and insert "**IC 6-11-8.**".

Page 72, line 30, delete "IC 6-11-8." and insert "**IC 6-11-9.**".

Page 72, delete line 31.

Page 73, line 13, after "a" insert "**calendar**".

Page 73, delete lines 15 through 42, begin a new paragraph and

1 insert:

2 **Chapter 8. Property Tax Freeze; County Income Tax Increment**

3 **Sec. 1. The:**

- 4 (1) county income tax council, if the county option income tax
5 is in effect on January 1 of the year in which the county acts
6 under this chapter;
7 (2) county council, if the county adjusted gross income tax is
8 in effect on January 1 of the year in which the county acts
9 under this chapter; or
10 (3) county income tax council or the county council, whichever
11 acts first, for a county not covered by subdivision (1) or (2);
12 may adopt an ordinance to impose a complete freeze on the
13 controlled property taxes imposed in the county on noncorporate
14 tangible property, a partial freeze on the controlled property taxes
15 imposed in the county on corporate tangible property, and impose
16 a county income tax increment to replace the revenue lost to taxing
17 units as a result of the application of the controlled property tax
18 freeze.

19 **Sec. 2. To freeze controlled property tax levies under this**
20 **chapter, a county income tax council shall use the procedures set**
21 **forth in IC 6-3.5-6 concerning the imposition of the county option**
22 **income tax.**

23 **Sec. 3. (a) An ordinance adopted under this chapter before April**
24 **1 in a year (or in 2006, before June 1, 2006) applies to:**

- 25 (1) controlled property taxes first due and payable; and
26 (2) the taxation of adjusted gross income earned;
27 in each year that follows the year in which the ordinance is
28 adopted.

29 **(b) An ordinance adopted after March 31 in a year (or in 2006,**
30 **after May 31, 2006) applies to:**

- 31 (1) controlled property taxes first due and payable; and
32 (2) the taxation of adjusted gross income earned;
33 in each year that follows the year in which the ordinance is adopted
34 by at least two (2) years.

35 **Sec. 4. An ordinance under this chapter must be adopted**
36 **substantially in the following form:**

37 "The _____ County _____ elects to impose a freeze on
38 the controlled property taxes imposed by the taxing units in
39 _____ County and imposes a county income tax on the
40 county taxpayers of _____ County at the rate necessary to
41 replace the revenue lost as a result of the application of the
42 property tax freeze in the county. The freeze shall be a complete
43 freeze of controlled property taxes imposed on noncorporate
44 tangible property and a partial freeze on controlled property taxes
45 imposed on corporate tangible property, as provided by law. ".
46

Sec. 5. An ordinance adopted under this chapter may freeze

controlled property tax levies by reference to the amount of the controlled property tax levies certified by the department of local government finance under IC 6-1.1-17-16 for any of the following freeze limit determination years:

- (1) The year in which the ordinance is adopted.
- (2) The year immediately preceding the year in which the ordinance is initially effective under section 3 of this chapter, if section 3(b) of this chapter applies.
- (3) 2006.

Sec. 6. As soon as practicable after adopting an ordinance under this chapter, the governing body adopting the ordinance shall certify the ordinance to the following:

- (1) The county auditor of each county in which any part of the taxing unit in the county is located.
- (2) The fiscal officer of each taxing unit that is located in any part in the county.
- (3) The department of local government finance.

Sec. 7. The department of local government finance shall provide copies of an ordinance received under section 6 of this chapter to the department of state revenue and the budget agency.

Sec. 8. An ordinance that is adopted in conformity with this chapter may not be amended, repealed, or otherwise rescinded. However, an ordinance may be amended to bring the ordinance into conformity with this chapter.

Sec. 9. Beginning with the first year in which an ordinance is effective under section 3 of this chapter:

- (1) an additional property tax replacement credit is granted against the tax liability imposed on tangible property for controlled property taxes equal to the applicable percentage of the controlled total tax levies of all taxing units in the county that exceeds the county freeze limit; and
- (2) a county income tax increment is annually imposed against the county taxpayers in the county at the rate necessary to replace the revenue lost to all taxing units in the county as a result of the granting of the property tax replacement credit.

Sec. 11. The applicable percentage that is applied under subdivision (1) to:

- (1) noncorporate tangible property is one hundred percent (100%); and
- (2) corporate tangible property is the percentage determined under STEP FOUR of the following formula:

STEP ONE: Determine the greater of zero (0) or the county income tax increment rate imposed in the county in the immediately preceding year.

STEP TWO: Divide the STEP ONE amount by two tenths (0.2).

STEP THREE: Determine the result of:

- (i) one percent (1%); multiplied by
- (ii) the STEP TWO amount.

STEP FOUR: Determine the result of:

- (i) One hundred percent (100%); minus
- (ii) the greater of the STEP THREE percentage or one percent (1%).

Sec. 12. The county increment income tax rate for an ensuing year is the tax rate determined under STEP FOUR of the following formula:

STEP ONE: Determine the sum of the county income tax increments to be raised in the county for the ensuing year by each of the taxing units in the county, as determined from the budgets and county income tax increments certified by the county auditor and adjusted by the department of local government finance before November 2 in the year immediately preceding the ensuing year.

STEP TWO: Determine the sum of:

- (A) the STEP ONE amount; plus
- (B) the amount of any excess levy appeals that are:
 - (i) granted by the department of local government finance for a taxing unit in the county before November 2 of the year immediately preceding the ensuing year or the later date approved by the department of local government finance;
 - (ii) payable from the county's increment; and
 - (iii) excess of the amount certified to the department of local government finance by the county auditor.

STEP THREE: Determine the adjusted gross income for the county taxpayers for the ensuing year, using the best forecast data available before November 1 immediately preceding the ensuing year or the later date approved by the department of local government finance.

STEP FOUR: Divide the STEP TWO amount by the STEP THREE amount, rounding to the nearest ten thousandth (.0001).

Sec. 13. The county income tax increment rate shall be determined based on the amount of tax liability that accrues in the accounting period in which the tax rate applies even if the full amount of tax is not due until the taxpayer files a final return for the taxpayer's taxable year.

Sec. 14. The county income tax increment rate shall be adjusted to eliminate the effects that an allocation area has on the county income tax increment that will be available to the taxing units in the county.

Sec. 15. The department of local government finance shall

1 reduce the county increment tax rate that would otherwise be
 2 imposed in the county for a year to reflect the availability to the
 3 taxing unit of any of the following:

4 (1) An excess increment or supplement distribution to the
 5 taxing unit under IC 6-11-13-8.

6 (2) An excess increment or supplement distribution to the
 7 taxing unit under IC 6-11-13 for county income taxes imposed
 8 on adjusted gross income earned in a year preceding the
 9 ensuing year.

10 Sec. 16. The department of local government finance shall
 11 adjust the county income tax increment rate as necessary to
 12 eliminate any excess county income tax revenue that would
 13 otherwise result from the application of a partial freeze on the
 14 controlled property taxes of corporate tangible property.

15 Sec. 17. The department of local government finance, after
 16 reviewing the recommendation of the budget agency, shall certify
 17 the county income tax increment rate for a county for the ensuing
 18 year before November 2 immediately preceding the ensuing year
 19 or the later date approved by the department of local government
 20 finance. The county income tax increment rate shall be certified to
 21 the following:

22 (1) The county auditor.

23 (2) The county treasurer.

24 (3) The fiscal office of each taxing unit in the county.

25 (4) The department of state revenue.

26 Chapter 9. County Income Tax Supplement

27 Sec. 1. This chapter applies in a county only if the county is an
 28 adopting county.

29 Sec. 2. In addition to the property tax relief permitted under
 30 IC 6-10-8, the:

31 (1) county income tax council, if the county option income tax
 32 is in effect on January 1 of the year in which the county acts
 33 under this chapter;

34 (2) county council, if the county adjusted gross income tax is
 35 in effect on January 1 of the year in which the county acts
 36 under this chapter; or

37 (3) county income tax council or the county council, whichever
 38 acts first, for a county not covered by subdivision (1) or (2);
 39 may adopt an ordinance to grant an additional property tax
 40 replacement credit against controlled property taxes imposed in
 41 the county and impose a county income tax supplement rate to
 42 replace the revenue lost to taxing units as a result of the property
 43 tax replacement credit.

44 Sec. 3. To adopt an ordinance under this chapter, a county
 45 income tax council shall use the procedures set forth in IC 6-3.5-6
 46 concerning the imposition of the county option income tax.

1 **Sec. 4. (a) An ordinance adopted under this chapter before April**
 2 **1 in a year (or in 2006, before June 1, 2006) applies to:**

3 **(1) controlled property taxes first due and payable; and**

4 **(2) the taxation of adjusted gross income earned;**

5 **in each year that follows the year in which the ordinance is**
 6 **adopted.**

7 **(b) An ordinance adopted after March 31 in a year (or in 2006,**
 8 **after May 31, 2006) applies to:**

9 **(1) controlled property taxes first due and payable;**

10 **(2) and the taxation of adjusted gross income earned;**

11 **in each year that follows the year in which the ordinance is adopted**
 12 **by at least two (2) years.**

13 **Sec. 5. An ordinance under this chapter must be adopted**
 14 **substantially in the following form:**

15 **"The _____ County _____ elects to grant an additional**
 16 **property tax replacement credit against controlled property taxes**
 17 **imposed by the taxing units in _____ County on tangible**
 18 **property except tangible property on which a C Corporation is**
 19 **directly or indirectly liable for the tax liability beginning with**
 20 **controlled property taxes first due and payable in _____ and**
 21 **imposes an additional county income tax on the county taxpayers**
 22 **of _____ County at the rate of _____ percent (____%) to**
 23 **replace the revenue lost as a result of the granting of the additional**
 24 **property tax replacement credit".**

25 **Sec. 6. A county income tax supplement rate may be imposed in**
 26 **an increment of one tenth of one percent (0.1%). The maximum**
 27 **county income tax supplement rate that may be imposed in a**
 28 **county is one percent (1%).**

29 **Sec. 7. As soon as practicable after adopting an ordinance under**
 30 **this chapter, the governing body adopting an ordinance under this**
 31 **chapter shall certify the ordinance to the following:**

32 **(1) The county auditor of each county in which any part of the**
 33 **taxing unit in the county is located.**

34 **(2) The fiscal officer of each taxing unit that is located in any**
 35 **part in the county.**

36 **(3) The department of local government finance.**

37 **Sec. 8. The department of local government finance shall**
 38 **provide copies of an ordinance received under section 7 of this**
 39 **chapter to the department of state revenue and the budget agency.**

40 **Sec. 9. An ordinance that is adopted in conformity with this**
 41 **chapter may not be repealed or otherwise rescinded. However, an**
 42 **ordinance may be amended to:**

43 **(1) bring the ordinance into conformity with this chapter; or**

44 **(2) increase the county income tax supplement rate in the**
 45 **county, if the maximum permissible county income tax**
 46 **supplement rate under section 6 of this chapter has not been**

1 imposed in the county.

2 An amendment under this section takes effect in the manner
3 provided in section 4 of this chapter.

4 Sec. 10. In a year in which an ordinance under this chapter is in
5 effect:

6 (1) a county income tax supplement rate is imposed on the
7 adjusted gross income of county income taxpayers in the
8 county at the rate specified in the ordinance; and

9 (2) an additional property tax replacement credit is granted
10 against the tax liability for controlled property taxes imposed
11 on tangible property in the county other than tangible
12 property for which a C corporation is directly or indirectly
13 liable for the tax liability.

14 Sec. 11. The department of local government finance shall set
15 the percentage of the additional property tax replacement credit
16 granted under this chapter in a year so that the total amount of the
17 additional property tax replacement credits granted in the county
18 equals the department of local government finance's best estimate
19 of the amount of the county income tax supplement that will be
20 available to the county in the ensuing year.

21 Sec. 12. (a) Subject to subsection (b), the additional property tax
22 replacement credit granted under this chapter shall be uniformly
23 applied to the property tax liability for the controlled property
24 taxes imposed by each taxing unit in the county after applying all
25 other credits granted by a law outside this article, except
26 IC 6-1.1-20.6.

27 (b) The additional property tax replacement credit granted by
28 this chapter may not be applied to the tax liability for controlled
29 property taxes imposed on tangible property for which a C
30 corporation is directly or indirectly liable".

31 Delete pages 74 through 91.

32 Page 92, delete lines 1 through 13.

33 Page 94, line 38, after "department" insert "of local government
34 finance".

35 Page 94, line 40, after "complete." insert "The department of state
36 revenue shall provide the county auditor and the department of
37 local government finance with sufficient information for the county
38 auditor and the department of local government finance to match
39 the distributions in a year to the year in which the distributed
40 amount was raised from county income tax imposed on a county
41 taxpayer, regardless of when the amount is collected.".

42 Page 95, line 10, delete "political subdivisions" and insert "taxing
43 units".

44 Page 95, line 13, delete "adjusted gross income tax, county option
45 income tax," and insert "income tax has been pledged.".

46 Page 95, delete line 14.

Page 95, delete lines 23 through 42, begin a new line block indented and insert:

"(1) determine the part of the distribution that is attributable to the county income tax increment and the part of the distribution that is attributable to the county income tax supplement;

(2) determine the part of the increment and the supplement that are distributable to each taxing unit in the county;

(3) retain from the part of each distribution to a taxing unit any allocation made under IC 6-11-14;

(4) retain from the part of each distribution to a taxing unit the amount of any reserve necessary to reimburse the state for overpayments of county income tax to the county; and

(5) distribute the remainder of a taxing unit's allocation to the taxing unit.

Sec. 2. The distribution attributable to the increment shall be allocated among the taxing units in the county in proportion to the revenue lost by the taxing unit as a result of the application of the county freeze limit in the county.

Sec. 3. The distribution attributable to the supplement shall be allocated among the taxing units in the county in proportion to the revenue lost as a result of the reduction of controlled property taxes in the year under IC 6-11-9.

Sec. 4. If a distribution consists of county income tax revenues imposed in a year other than the current year, the amount shall be distributed in proportion to the revenue lost to each taxing unit in the year in which the county income tax was imposed."

Delete page 96.

Page 97, delete lines 1 through 18.

Page 97, line 19, delete "10." and insert "5."

Page 97, delete lines 22 through 30.

Page 97, line 31, delete "12." and insert "6."

Page 97, line 35, delete "13." and insert "7."

Page 97, between lines 38 and 39, begin a new paragraph and insert:

"Sec. 8. Subject to sections 9 and 10 of this chapter, county income taxes distributed to a taxing unit under this article may be used for any purpose for which the controlled property taxes being replaced could have been used.

Sec. 9. A part of the county income tax actually distributed to a taxing unit in a particular year that exceeds the increment or supplement distribution certified for the taxing unit for the year by the department of local government finance is valid. The amount collected may not be contested on the grounds that it exceeds a limit imposed by law. However, the taxing unit shall deposit the amount in the taxing unit's rainy day fund. The amount may be used only to reduce the county income tax imposed to raise the

1 **taxing unit's increment or supplement for subsequent years, as**
 2 **determined under the procedures prescribed by the department of**
 3 **local government finance.**

4 **Sec. 10. Money raised from county income taxes under this**
 5 **article but budgeted to be saved by the taxing unit may be used in**
 6 **any combination of the following ways:**

7 **(1) Deposited in the taxing unit's rainy day fund and used to**
 8 **provide additional property tax relief, as determined by the**
 9 **taxing unit, in a subsequent year.**

10 **(2) Deposited in the taxing unit's rainy day fund and used for**
 11 **any purpose of the rainy day fund after at least one (1) year**
 12 **has elapsed from the time the money is deposited in the rainy**
 13 **day fund.**

14 **(3) Deposited in the taxing unit's capital projects fund (or an**
 15 **equivalent fund approved by the department of local**
 16 **government finance) and used for any purpose of the capital**
 17 **projects fund or equivalent fund after at least one (1) year has**
 18 **elapsed from the time the money is deposited in the capital**
 19 **projects fund or equivalent fund."**

20 Page 97, line 40, delete "political subdivision" and insert "**taxing**
 21 **unit**".

22 Page 97, line 41, delete "political" and insert "**taxing unit's**".

23 Page 97, line 42, delete "subdivision's".

24 Page 97, line 42, delete ", including a special allocation,"

25 Page 98, line 2, delete ", including any purpose for which county"
 26 and insert "**for which the property taxes being replaced could have**
 27 **been used.**".

28 Page 98, delete lines 3 through 14.

29 Page 98, line 15, delete "political subdivision", begin a new
 30 paragraph and insert:

31 **"Sec. 2. If a taxing unit".**

32 Page 98, line 16, delete "." and insert "**of local government**
 33 **finance.**".

34 Page 98, delete lines 17 through 27.

35 Page 98, line 28, delete "5." and insert "**3.**".

36 Page 98, line 30, delete "political subdivision." and insert "**taxing**
 37 **unit.**".

38 Page 98, line 31, delete "6." and insert "**4.**".

39 Page 98, line 31, delete "(including an".

40 Page 98, line 32, delete "assignment described in section 2 of this
 41 chapter)".

42 Page 98, line 33, delete "political subdivision" and insert "**taxing**
 43 **unit**".

44 Page 98, delete line 35.

45 Page 98, line 36, delete "section 4 of this chapter)", begin a new
 46 paragraph and insert:

- 1 **"Sec. 5. A taxing unit".**
- 2 Page 98, line 39, delete "adjusted" and insert **"income tax is**
- 3 **pledged."**.
- 4 Page 98, delete lines 40 through 41.
- 5 Page 98, line 42, delete "8." and insert **"6."**.
- 6 Page 98, line 42, delete "controlled" and insert **"county income"**.
- 7 Page 98, line 42, after "the" insert **"taxing unit's freeze limit or any**
- 8 **tax limit imposed by a law outside this article."**.
- 9 Delete pages 99 through 104.
- 10 Page 105, delete lines 1 through 9.
- 11 Page 105, line 10, delete "18." and insert **"15."**.
- 12 Page 105, delete lines 24 through 42, begin a new paragraph and
- 13 insert:
- 14 **"Chapter 16. Enforcement of Orders; Judicial Review**
- 15 **Sec. 1. (a) The department of local government finance, at the**
- 16 **request of any party to an appeal or on the department of local**
- 17 **government finance's own motion, may issue:**
- 18 (1) subpoenas;
- 19 (2) discovery orders; and
- 20 (3) protective orders;
- 21 **in accordance with the rules of procedure governing discovery,**
- 22 **depositions, and subpoenas in civil actions in the courts to carry**
- 23 **out this article.**
- 24 (b) If ordered by the department of local government finance,
- 25 **the sheriff in the county in which the order is to be served shall**
- 26 **serve the subpoena, discovery order, or protective order.**
- 27 (c) Subpoenas and orders issued under this section may be
- 28 **enforced under IC 4-21.5-6.**
- 29 **Sec. 2. An order issued by the department of local government**
- 30 **finance under this article may be enforced in the manner provided**
- 31 **by IC 4-21.5-6.**
- 32 **Sec. 3. (a) The following may petition for judicial review of the**
- 33 **final determination of the department of local government finance**
- 34 **under this article:**
- 35 (1) An affected taxing unit.
- 36 (2) The county fiscal officer for a county in which an affected
- 37 **taxing unit is located.**
- 38 (3) Any person or entity that is the subject of an order.
- 39 (4) If the order was issued as the result of an appeal, any of
- 40 **the parties to the appeal.**
- 41 (b) The petition must be filed in the tax court not more than
- 42 **thirty (30) days after the department of local government finance**
- 43 **enters its order under this article."**.
- 44 Delete pages 106 through 184.
- 45 Page 185, delete lines 1 through 26.
- 46 Page 185, delete lines 35 through 42.

- 1 Delete pages 186 through 189.
- 2 Page 190, delete lines 1 through 36.
- 3 Page 192, delete line 42.
- 4 Delete pages 193 through 195.
- 5 Page 196, delete lines 1 through 41.
- 6 Page 197, delete lines 6 through 42.
- 7 Delete pages 198 through 202.
- 8 Page 203, delete lines 1 through 30.
- 9 Page 203, line 31, delete "(i)" and insert "SECTION 79
- 10 [EFFECTIVE UPON PASSAGE] **(a)**".
- 11 Page 203, delete line 42.
- 12 Delete pages 204 through 205.
- 13 Page 206, delete lines 1 through 32.
- 14 Page 206, line 33, delete "(d)" and insert "**(b)**".
- 15 Page 206, line 40, delete "through IC 6-15, all" and insert ",".
- 16 Page 207, delete lines 2 through 16.
- 17 Renumber all SECTIONS consecutively.
(Reference is to EHB 1001 as printed February 24, 2006.)

Senator DILLON